EXHIBIT 4

Company Name: Bank of America
Company Ticker: BAC US
Date: 2010-10-19
Event Description: Q3 2010 Earnings Call

Market Cap: 118,399.40
Current PX: 11.80
YTD Change($): -3.26
YTD Change(%): -21.647

Bloomberg Estimates - EPS
Current Quarter: 0.197
Current Year: 0.868
Bloomberg Estimates - Sales
Current Quarter: 27091.000
Current Year: 115807.571

Q3 2010 Earnings Call

Company Participants

- Kevin Stitt, Investor Relations
- Brian T. Moynihan, President and Chief Executive Officer
- Charles H. Noski, Chief Financial Officer
- Neil Cotty

Other Participants

- John McDonald
- Glenn Schorr
- Nancy Bush
- Moshe Orenbuch
- Matthew O'Connor
- Betsy Graseck
- Edward Najarian
- Mike Mayo
- Christopher Kotowski

MANAGEMENT DISCUSSION SECTION

Operator

Good day, everyone. And welcome to Bank of America's third quarter earnings announcement conference Call. At this time, all participants are in a listen-only mode. Later, you will have the opportunity to ask questions during the question and answer session. Please

note, this call may be recorded, and I will be standing by if you should need any assistance.

It is now my pleasure to hand the call over to Kevin Stitt. Please go ahead.

Kevin Stitt, Investor Relations

Good morning. Before Brian Moynihan and Chuck Noski begin their comments, let me remind you that this presentation does contain some forward-looking statements regarding both our financial condition and financial results, and that these statements involve certain risks that may cause actual results in the future to be different from our current expectations. These factors include, among other things, changes in economic conditions, changes in interest rates, competitive pressures within the financial services industry, and legislative or regulatory requirements that may affect our businesses. For additional factors, please see our press release and SEC documents.

And also joining us this morning, as he did last quarter, will be Neil Cotty, our Chief Accounting Officer.

With that, let me turn it over to Brian.

Brian T. Moynihan, President and Chief Executive Officer

Good morning, everyone. Thank you for joining. Today we're going to talk about the third quarter earnings results. And as part of the documents, as you see today, are based on the conversations that we've had with many of you over the last few months, and especially, obviously, the mortgage discussions that occurred over the last few weeks. So we tried to put some data in the package that will help frame some of those issues. So – and we'll go through that.

As we told you many times, we committed that we would provide you additional data on our run-off portfolios, which we've done. Chuck will take you through some data on the reps and warranties, and I'll take you through some of the foreclosure discussion. We've also included our preliminary Basel III view. In addition, we've included information on what we're doing in the consumer franchise, including the outline of how we're trying to mitigate the impacts of various regulatory changes. We know these are key issues that are on your mind, and are on our mind as shareholders in what our franchise faces.

So let's dive into the document. On page 4, you can see the headlines for the quarter. Excluding the goodwill write-off, which Chuck will cover later, earnings were $3.1 billion, and that's consistent with the past few quarters, as the continued credit improvement has offset some of the impacts of low rates, higher rep and warranty costs, and other matters.

But as we look across the business units, just to frame how we think we did this quarter, let me hit them from the high level. I think Tom Montag and his team in Global Capital Markets had a nice recovery as the sales and trading revenue there increased to $4.5 billion. Once again for the second quarter out of the last three, we made money every trading day. We continued to hold the risk, the bar, relatively flat and continued to drive that business off the core customer franchise it represents. When we move into Tom's Corporate Banking side and David Darnell's Commercial Banking side, the good news this quarter is we've seen stabilization in our C&I loan book, we've had good investment banking results, and good treasury management results.

In our commercial customer side, the credit quality continues to improve across the board. Nonperforming assets and all the credit statistics have decreased. The charge-offs are better, and even in CRE we've seen the charge-offs fall pretty strongly over the last several quarters.

Sallie Krawcheck and the Global Wealth and Investment Management team had another solid quarter. This business is going through the transition in earnest. We sold First Republic this quarter. They converted millions of customer accounts and billions of customer balances. But all during the last few quarters, we've had continuous growth in financial advisors and wealth managers and private bankers through the period. She's continued to see strong deposit capture, stable loan balances, and improving net customer flows over these last few quarters.

Let me get to our consumer businesses. Our card business continues to recover. Its net charge-offs continue to go down, as Joe and the team have to worked hard to get that portfolio into shape. Interestingly enough, this is the first quarter in many quarters where the actual yield in the portfolio exceeds the charge-offs, and that's a good sign as we move back to core profitability. Joe and the team also sold more cards in the nine states this quarter and last quarter, and we're continuing to see a recovery in our origination capabilities.

As we move to Joe's deposit side, we continue to make good customer progress there. Our customer scores are up, while account closures are down. During the quarter, Joe and the team implemented some of the mitigation plans: the e-account, which, as you know, it basically charges fees if customers don't use our lowest-cost delivery mechanisms. An ATM emergency cash, which allows the customer to make the choice to withdraw cash in an emergency and pay an overdraft fee. And then other items, including a new account structure, which I'll talk about later. These will ultimately mitigate the cost of regulatory reform over time.

In the mortgage area, it's – interestingly enough, there's been a lot of discussion about this business and I'm sure we'll talk a lot about it today. But we're continuing to make progress. The operating loss continues to move forward, and Barbara and her team continue to make progress on driving that business back to profitability. The origination volumes have been strong in that business, and frankly will only get stronger going forward as a market share and a percent of the market, because as we went through integration, we had to hold back volume because of our need to get the integration done.

We've seen the delinquencies and charge-offs in the mortgage products stabilize also. We're going to provide you a lot of data later in our presentation to help you assess the future costs from reps and warranties. But the one thing that we want to be clear, is that when we look at the rep and warranty claims and the claims by the various investors, we're not going to just put this behind us to make us feel good. We're protecting your money, we're protecting the shareholders' money, and we're going to make sure that we'll pay when due, but not just do a settlement to move the matter behind us.

The thing I want to be clear about is how we're repositioning the company. We started the year and said we'd deliver a fortress balance sheet from a company that had a balance sheet that needed repair. We've increased the capital levels, we increased reserve coverage, we shed non-core activities. This quarter, we continue to make good progress. Capital ratios were up, RWA was down. We have developed clarity in how we're going to manage through the Basel IV changes. In addition, due to the fact that the capital levels in our industry are going to be higher, we have an intense focus on tangible book value per share growth, and we continued to grow that this quarter.

So if you flip to page 5, you can see how those figures roll out. From the beginning of the year, our RWA is down $87 billion, and we've taken a snapshot from January 1 here, because the impact of 166/167 we wanted to show you. The long-term debt, which is something we don't talk a lot about, is down $44 billion this year. We inherited a lot of high-cost debt in the prior transactions that we took over the company, and we're restructuring that. Mark Linsz and the team under Chuck have done a good job. We think over the next several years, we can take that down by another 150 to $200 billion, which helps our margin. You can see that the dollar amounts at tangible common, Tier 1 common, and the ratios that result from that common, are all been increased during the year due to earnings and importantly by our willingness and desire to streamline this franchise and remove capital from non-core and capital-intensive activities.

The asset quality improvements you can see are strong, and then you can see at the bottom of the page, and as you move to page 6, you can see the capital ratios. In discussions I've had earlier this year, we were clear with you that when – we thought from a pure risk basis that this company should run on an 8.5 to 9% Tier 1 common ratio under the current Basel accords, and a 5.5 to 6% tangible common ratio, and we thought we'd get there by year-end 2010. We've in fact hit those targets a quarter earlier, and we continue to work on them. This discipline that got us there on these targets is what we're going to depend on to manage through the environment of Basel II, Basel III, the Fed market rules and Dodd-Frank, and the provisions thereof. What we've done gives us confidence that there's a lot of optimization left in this balance sheet. Simply put, there's a lot of work to do, but there's a lot of areas to do it upon.

On slide 7, we want to make it clear how we view the current Basel III guidelines and the preliminary impacts we'll have. You have to start from the beginning here about the progress we've made year to date in improving our Tier 1 common capital ratios and bringing down risk-weighted assets. We do those efforts consistent with the customer-centric focus we've had to sell those low-rated assets in the non-core equity stakes. Tier 1 common has reached 8.5% at the end of this quarter with 1.5 trillion in RWA.

By 2019, as you well know, we have to have a Tier 1 common ratio of 7%, and also still to be decided are the couple big unanswered questions. First, what incremental capital we would need for systemically important, and second, what the rights of capital management capital, ability to manage capital during the phase-in periods. Given that, under our assumptions, our Tier 1 common is estimated to remain above 8% while we implement Basel II, the market risk rules in 2011, and Basel III in 2012. The way we've calculated this assumes no phase-in period. In effect, there is going to be one. So just to be clear on this, we simply took all of the rules that are going to be applied in 2011, took all of the rules that are going to be applied in 2012, assume they're effective on the date they became, and there's no phase-in for any of the provisions.

What that resulted in is our reported numbers during this time will actually be higher than the 8% we're telling you, because that allows for the phase-in. The key assumption, when you look at this, the key outcome, is an increase before we mitigate of about $600 billion in risk-weighted assets. The mitigation that we have will reduce that significantly by the end of 2012. And these activities are not core to driving this franchise. We've laid out the activities in some of the bullet points on the page. They include running down loan portfolios which aren't core to the franchise, exiting proprietary trading activities, reducing low-rated assets in our trading book and our discretionary portfolio, and other

activities to reduce the positions that are subject to high capital charges, including the benefits from counterparty risk and CVA exposure as the as the derivatives go through exchanges.

Now let me give you an example of a transaction that's been written about there. In the second quarter, if you remember, we took a $700 million hit to do a re-REMIC transaction because it would relieve, under the Basel III rules as fully implemented, nearly $100 billion of risk-weighted assets. That was a great trade in our sense, in that it put the issue behind us, increased the credit quality of our portfolio, and obviously took a lot of future RWA risk away.

Post mitigation, after we do all this work, we estimate that the risk-weighted assets would be up about 25% from the 1.5 trillion we had at the end of September. When you go to the numerator side of Basel III, assuming no phase-in, you're going to have a capital reduction of 12 billion, and as you can see here, it's largely related to DTA.

Now, the mitigation we expect will be completed by year-end 2012. There are aspects of what we're doing that will actually occur after that. And we are very comfortable that we'll accomplish the mitigation by the year-end 2012, and there's going to be future opportunities to continue to manage this during the periods through 2019. So with that, it gives us the confidence that given everything we know today and how we're operating this business, that we won't have to raise additional capital through common stock issuance to meet the new capital guidelines.

That review of Basel III I wanted to just hit quickly on slide 8. You can see we've included some of the highlights from the customer franchise. We've included some of those in the release. Suffice it to say the customer franchise continues to move forward and continues to make good progress across all the different businesses, as I stated earlier.

I'm going to move to page 9 now, and one of the questions come up in the customer discussion was what did we do on overdrafts and why did we do it? Some of you have raised with me whether we had the balance right between the customers and shareholders, are we too customer friendly in terms of the decision we made? So what we tried to do on page 9 is to make it clear that we made a business decision last summer to repair a customer franchise that was starting to leak customers badly.

Overdrafts on debit cards were in fact driving strong fee growth, but the customer result, as profiled widely and as we saw in our franchise was hurting our franchise in the industry, and long term would hurt our shareholders. The impact of the effect of the economy, the use of the debit cards and how people were using, had an impact on customers that no one had envisioned. The trust scores in the industry were down. Bank of America's customer scores were down. We had opened – and the year before we implemented this change, we'd opened 10 million checking accounts and closed 10 million. The closures had been growing at an annual rate of 18%. The complaints around debit charges and customer complaints around deposits were at an all-time high. And also we knew that Reg E was coming. So as we looked ahead, we had to plan for that outcome.

But most importantly, we had 80,000 people that work in Joe's group that work with our customers every day to do a great job in our stores and our call centers. Those associates didn't feel that we were doing right thing for the customer. The reality was 10% of our customers were paying 70% of the overdraft, over $1,000 per customer per year. And the model was breaking; it needed fixing. So what did our team do? You can see it in the upper left-hand box. We didn't stop overdrafts overall. What we stopped was the unintentional small debit overdraft charge, which was causing this churn, this customer dissatisfaction and complaints. Where a customer has a chance, they get a choice, whether it's a check, a recurring draft, initiating an online payment, the emergency ATM cash. They can make the choice, pay the fee, and get the transaction completed.

So what's happened since our actions? You can see in the upper right, the closure rates have dropped to 27%. So from a rise that was 18% per year they've now dropped 27%. The customer scores have improved, complaint volumes are down, and the deposits now allows us to take out costs. Associates are supportive, and that gives us the right to ask associates to get deeper penetration and other products. And for people who overdraft, we're seeing interesting behavior. It's still early, but their account balances are higher, and they're managing their cash better. We have seen debit card turndowns about half the rate we thought they'd do, i.e., when somebody swipes a card and can't complete the transaction.

But as we move ahead, mitigating the impacts of regulatory reform are the core challenge for Joe and the consumer team. They've rolled our new e-account. We are the low-cost platform by everything we see out there. But they rolled out the e-account in an effort to drive those costs even lower. They've implemented additional fees, which we think are fair, compiling as we speak a rollout of the new account structure, which we'll drive through the franchise in the next 12 months, they've introduced the ATM emergency cash. An example of that is that 50% of the customers actually accept the fee, but they make the volitional choice to do it. We're going to continue to monitor these initiatives, do more work on pricing, more work on costs, more work on new products, so in the end the returns on deposits will get back to the pre-regulatory change levels. And if customers' choices change, we'll revisit the decisions we made to make sure that the shareholders get the return we need in this business.

Now I want to turn to one other consumer issue that I think is important. On the foreclosure area as you know, we announced that changed, on slides 10 and 11, we changed and started to reinitiate the foreclosures yesterday. Barbara and her team – Barbara Desoer and her team, it's going to take us three to five weeks to get through and actually get all the judicial states taken care of. The teams reviewing the data have not found information which was inaccurate or would affect the plain facts of the foreclosure, i.e., the customers' delinquency, et cetera. But we continue to do all we can to avoid foreclosure. We continue to modify the loans whenever we can. We ensure that we check and recheck those. If a person fits into those programs, see whether they can fit into any modification programs before we start the foreclosure. Our checking is checked by other third parties.

But that being said, we have to get through this difficult work on foreclosures to help the real estate markets heal. Just to give you some examples of what went on in second quarter, when we foreclosed, some foreclosure sales that took place in second quarter, 33% of those properties are vacant. 80% had not made a payment for a year. The delinquency averaged one and a half years for those customers, and reflecting the very tough times that these consumers are going through, 50% were either unemployed or had lost their income.

So on the foreclosures, the key thing is we continue to do a lot of work. We've fixed the affidavit-signing problem, or it will be fixed in very short order. We've begun to initiate the foreclosure process. But the broader context is this, that we need to get through the foreclosures and restore the real estate business. This is not something – this is something that's ahead of us, but it's not something we're not doing a lot of today. During the second quarter, we transferred 40,000 houses from homeowner A to homeowner B through short sales and foreclosures that were actual transfers to people who were happy to have the home and living in it. And so our job is to continue to help heal this process on behalf of the American consumer and on behalf of the real estate markets.

With that, I'm going to turn it over to Chuck to take you through the numbers.

Charles H. Noski, Chief Financial Officer

Thanks, Brian, and good morning, everyone.

As you can see on slide 12, excluding the goodwill impairment charge, we earned $0.27 a share in the third quarter. Revenue was down $2.5 billion on an FTE basis from the second quarter, which included the positive impact from a handful of items. This quarter we saw a nice rebound in capital markets, strong investment banking, and a higher mortgage banking revenue that were offset by lower net interest income, which was down as anticipated. Credit quality continued to improve, with provision expense dropping $2.7 billion from the second quarter, reflecting lower charge-offs and a decrease in reserve levels. Our income tax expense was approximately 31% this quarter after excluding the goodwill impact, which doesn't get a tax benefit.

On slide 13, we have identified some of the larger items having both positive and negative impacts on results for the quarter. As you already know, the goodwill impairment in Global Card Services was $10.4 billion. Loan loss reserves were reduced by 1.8 billion versus a reduction of 1.5 billion last quarter. We also recorded a $592 million reserve for exposure related to industry-wide sales practices in the UK involving payment protection and insurance claims on consumer loan products. Litigation expense across all of our businesses this quarter was up $380 million.

Income tax expense includes a charge of approximately $400 million that we highlighted last quarter related to the revaluation of deferred tax assets as a result of the July enactment of a 1% reduction in the UK corporate tax rate. We also had $883 million in security gains during the quarter. As you recall, this compares to 37 million in the second quarter, which included a $711 million loss on securities sold to reduce certain lower-rated position that flowed through securities gains in the second quarter.

The credit mark on structured liabilities under the Fair Value Option resulted in a negative mark of $190 million compared to a positive mark of $1.2 billion in the second quarter and is reported in other income.

Impacting our tangible capital and total risk-based capital, but not Tier 1 capital or earnings, was the increase in the carrying value of our CCB investment through OCI since we are within 12 months of the expiration on sales restrictions. That investment was written up $9.8 billion or $6.2 billion after tax. As a result of the sale of First Republic, $17 billion of loans and $18 billion of deposits came off of the balance sheet on July 1, reducing net interest income by approximately $230 million in the third quarter. The sale of Santander-Mexico closed in late September and was carried on the balance sheet at $2.6 billion.

Let's turn to slide 14 and discuss the details around the goodwill charge of 10.4 billion. Based upon our current interpretation of the Durbin amendment, which has not changed from when we last spoke with you in July, the interchange revenue reported in our Global Card Services segment going forward will be significantly impacted. The charge to goodwill slightly exceeds the estimated range we announced in July because we refined certain model assumptions. While it represents approximately 50% of the goodwill carried in the Card Services segment, it is 25% of book value, roughly $40 billion down to $30 billion.

I think it's important to note that goodwill impairment testing is done on a segment basis, not on a company total basis. Because some mitigation activities will mostly benefit other business segments, mainly the deposit segment, these activities were not included in determining the impairment in the Card Services goodwill. On that point, and echoing Brian's earlier comments, we continue to be diligent in how we are repositioning the consumer bank for future success given Durbin and other headwinds. We believe we can mitigate a good portion of the lost revenue across our retail businesses by offering new and attractive customer solutions based on our understanding of the customer and offering straightforward choices for how they want to do business with us. Over the next several months, we'll be piloting new products, pricing deposits and accounts differently, as well as incenting the customer to do more business with us.

Since Brian gave some color around our business segment performance already, let's skip slide 15 and move to slide 16. Net interest income on an FTE basis was $12.7 billion, down $480 million from the second quarter. Similar to what we saw in the second quarter, this trend was due to the impact of the low-rate environment and lower loan levels, further impacted by the sale of First Republic Bank. During the quarter, the net interest yield of 2.72% decreased 5 basis points due mainly to a shift in the mix of earnings assets as higher-yielding assets were replaced with lower-yielding assets. Our average balance sheet for the quarter was down $119 billion, reflecting decreases in average loans and cash reserves held with the Fed. Cash declined due to a shift in liquidity in mix from cash to liquid securities. Consumer loans were down due to pay-downs as well as charge-offs and weak demand. However, commercial loan demand stabilized in the second half of the quarter, and as we said earlier, commercial loans less real estate ended the quarter up 1% from the prior quarter.

We expect these trends to continue over the next few quarters, but to diminish as loans and yields begin to stabilize. While we have little control over rates and customer demand, we plan to offset these impact through reductions of long-term debt. Our mergers with Merrill Lynch and Countrywide resulted in a larger allow long-term debt footprint than what we think is ideal. Consequently, over the next few years, we will allow long-term debt levels to decline through maturities. We believe we can lower our long-term debt footprint by 15 to 20% by the end of 2011.

On slide 17, we show the trends in loan levels and yields, as well as deposit level and rates paid for the past three quarters. Since the second quarter, while consumer loan yields have dropped 5 basis points, we've been able to drop rates paid by 3 basis points. Excluding First Republic, deposits are flat with the second quarter, but up nicely from the first quarter, driven by our wealth management customers and commercial customers.

On slide 18, we've listed the portfolios where we expect to experience further loan runoff. The sale of First Republic was effective July 1 and drove much of the decrease in levels from the second quarter. Out of the total expected runoff of approximately $132 billion at the end of September, I don't think any of the areas should be much of a surprise. Going forward, we'll continue to provide this information so that you can differentiate between real growth and expected loan runoff. For instance, this quarter, excluding the runoff portfolios and net charge-offs, we had period-end loan growth of approximately $9 billion, which we detail for you on slide 19.

As you can see on 19, after adjusting for the runoff portfolios and net charge-offs, we had period-end net loan growth in the quarter of approximately $10 billion of consumer, $4 billion of C&I, and a decrease in commercial real estate of $5 billion.

Card revenue on slide 20 has been somewhat flat over the past three quarters, reflecting the bulk of the impact from the CARD Act. Total interchange is down 5% from the second quarter, but still up 6% from a year ago on a managed basis due to high consumer spending.

On slide 21, we show service charges were down from second quarter levels to $2.2 billion. Driving the decrease was the impact Reg E, which became effective in July for new customers, and August for existing customers. We're estimating overall service charges in the fourth quarter to be around $2 billion, which we estimate fully reflects the impact of Reg E.

Mortgage banking revenue on slide 22 increased from the second quarter as a result of higher production income, including lower reps and warranties expense. Although the MSR hedge was effective in the quarter, MSR performance net of hedges was lower than the prior quarter. Production volume in the first mortgage was flat with the second quarter at $72 billion, but we experienced higher production margins. The capitalization rate for the consumer mortgage MSR asset ended the quarter at 73 basis points versus 86 basis points in the second quarter. Given the level of mortgage interest rates over the past few weeks, we would expect production levels to remain in line with the third quarter.

Turning to slide 23, you can see the total reps and warranties expense in the quarter was $872 million, down from the $1.2 billion in the prior quarter. The reserve increased approximately a half a billion to $4.4 billion. Our unresolved repurchase requests totaled approximately $12.9 billion, of which 6.8 billion or 53% are from the GSEs. There have been a number of questions raised about the reps and warranties exposure that exists across the industry, and specifically at Bank of America. We've addressed this topic in the past in both our Forms 10-K and 10-Q and on our prior earnings calls. But given the level of discussion, we thought it made sense to try to lay out the components for you today.

So first, let's consider the exposures we have with loans sold to the GSEs. Both legacy Bank of America and legacy Countrywide have a long history with each of the GSEs. While the environment around repurchases continues to be challenging, we strive to maintain constructive relationships with the GSEs. Our experience with them continues to evolve, but generally once the facts surrounding a particular loan are fully developed, we usually have been able to reach agreement on whether we, as the originator, are obligated to repurchase the loan or indemnify the GSE for the related loss. That is not to say that we never have disputes. We do. But generally, they are in those areas creating the most controversy in the most difficult vintages, such as reasonableness of stated income, occupancy, and undisclosed liabilities.

To give you a feel for the experience that we have with the GSEs, let me offer a few statistics, as you can see on slide 24. From 2004 through 2008, legacy Bank of America and legacy Countrywide have sold approximately $1.2 trillion of loans to the GSEs. Through September, we've received approximately $18 billion in repurchase claims associated with that population, representing only 1.5% of the total loans sold to them. We've been able to successfully resolve $11.4 billion of these claims to date, with a net loss experience of approximately 22% or roughly $2.5 billion. The level of repurchase claims from the GSEs has been elevated for the last few quarters, driving the outstanding repurchase claims up, as it takes some time to work loans through the claims process.

Our reserve for the GSE reps and warranties exposure since September 30 was computed to cover both the existing pipeline of claims and a projection of future claims we might receive on loans that have already defaulted, and on

future defaults predicted by our loss-forecast models. When we compute our reserve for GSE-related exposures, we take into our account our experience with them in working through these repurchase claims. So the repurchase experience I mentioned earlier on a base of $11.4 billion in claims, along with current developments, gives us a good data set to project future experience.

In fact, one of the drivers of our provision this quarter is an expectation that our repurchase rate with the GSEs will increase. Based on our current models, we believe we've already received more than two-thirds of expected repurchase claims from the GSEs for loans originated in the 2004 to 2008 vintages. Although our experience with the GSEs could change in the future, we believe our predictive repurchase models, utilizing our historical repurchase experience with the GSEs and projections of future defaults, leads us to the appropriate reserve amount for the exposures we have in this sold loan portfolio as we execute repurchases on a loan-by-loan basis.

The next category of exposure is loans sold into private label securitizations, where the bondholders have some amount of protection from losses through insurance written by monoline insurers. I think it's important to understand that each of these reps and warranties counterparties has different contractual rights and experience with us, and as such experience from one should not necessarily be extrapolated to another. The monoline insurers wrote protection for securitizations in both first and second lien transactions on legacy Countrywide loans included in securitization vehicles.

In total, approximately $160 billion of loans were sold into these monoline wrap securitizations, including $73 billion of first-lien mortgages and $87 billion of second-lien mortgages. Of these balances, approximately one-third of the first-lien mortgages and 60% of the second-lien mortgages have paid off as of September 30. In addition, of the first liens sold, we estimate $38 billion were sold as whole loans to other institutions, which subsequently included these loans with those of other originators in private label securitization deals in which the monolines typically insured one or more tranches.

Through September, we've received $4.8 billion of reps and warranty claims related to the monoline-insured deals, of which 4.2 billion remains outstanding, and approximately 550 million were repurchased. Of the $4.2 billion still outstanding, we have completed our review on $2.7 billion and declined to repurchase based on our assessment of whether a material breach exists. And we continue to look at the remaining $1.5 billion. As we noted last quarter, we have had limited engagement with most of the monoline insurers in our repurchase process, which has meaningfully constrained our ability to resolve the open claims. Also, certain monoline insurers have instituted litigation against Countrywide and Bank of America, which further constrains a normal business relationship. Without this engagement, we believe it is not possible at this time to reasonably estimate future repurchase experience and therefore the liability that may exist in connection with these securitizations.

However, there is a subset of the monoline universe that has engaged with us in the repurchase process. Although the history with them is not as deep as the history we have with the GSEs, we do believe we can use that experience as a basis for computing a reserve on existing and future claims with this subset of counterparties, and have done so.

The last category of potential reps and warranties exposure relates to loans either sold to whole-loan investors or included in private label securitization transactions, in which we believe there is no participation by monoline insurers. Much has been written and speculated about in recent months regarding this exposure, with a good part of the discussion implying a high degree of correlation between losses and reps and warranties liability for the banks. We believe too little attention has been focused on some fundamental factors that call into question this linkage.

For example, we believe many of the losses observed in these deals have been, and continue to be, driven by external factors, like the substantial depreciation in home prices, persistently high unemployment and other economic trends, diminishing the likelihood that any loan defect, assuming one exists at all, was the cause of the loan's default. Bondholders and other market participants assume the market and disclosed credit risks of the mortgage securities they purchased, including the loans backing these securities. The expansion of underwriting standards over time, including higher loan-to-value ratios, lower FICOs, less loan documentation, and the fact that exceptions were made to underwriting guidelines were disclosed to market participants.

The length of time a loan performs prior to a default is an important consideration as well. We believe that the longer a loan performs, the less likely an underwriting reps and warranties breach would have had a material impact on the loan's performance or that a breach even exists. We believe these factors, in addition to the fact that the contractual reps and warranties are less rigorous than those given to the GSEs, make it difficult to extrapolate the experience with the GSEs over this population.

Here are some data points about this private investor universe, excluding those with monoline insurance. From 2004 to 2008, the total principal balance of loans sold in this category, mostly by legacy Countrywide, and to a lesser extent legacy Bank of America, was approximately $750 billion, of which almost 40% has paid off. Through September of this year, we've received approximately $3.9 billion of reps and warranties claims related to this population and have resolved almost $2.9 billion. We've reviewed approximately half of the remaining $1 billion still outstanding and have declined to repurchase based on our assessment of whether a material breach exists. Many of the claims that we have received so far are from whole loan investors.

As it relates to private label securities the ultimate reps and warranties exposure requires that counterparties have the ability to both assert a claim and actually prove that a loan has an actionable defect under the applicable contracts. However, until we have a meaningful repurchase experience with these counterparties, we believe it is not possible to reasonably estimate this exposure. Just last week, a case against legacy Countrywide was dismissed due to the plaintiff's failure to comply with the contractual requirement of aggregating a minimum percentage of bondholders' voting rights necessary to direct the trustee to act.

More recently, in our capacity as a servicer on 115 private label security transactions, we received a letter from eight investors purportedly owning interests in these transactions. The letter asserts breaches of certain servicing obligations, including an alleged failure to provide notice of breaches of reps and warranties. While we continue to review and assess the letter, and have a number of questions about its content, including whether these investors actually have standing to bring these claims, we continue to believe the servicer is in compliance with its servicing obligations. The 115 deals have an original and current principal balance of approximately 104 and 46 billion respectively. We will continue to closely monitor the activities of this group and other developments.

Overall, where we have concluded that a valid basis for repurchase does not exist, we think it is important for investors to know that we will vigorously contest such claims and defend the interests of Bank of America's shareholders. As for future provisions, as conditions change from period to period, this will have an impact on the level of required reserve and related provision. Also, as our experience with counterparties evolves, this too will have an impact on our reserve and provision. As a result, as we told you last quarter, we expect that the provision from quarter to quarter may be lumpy. In fact if you look back over the past five quarters, as we've shown in the upper left-hand corner of slide 23, you see the provision is variable, driven by the impact of specific developments from quarter to quarter.

With that, let me turn to slide 25. Investment and brokerage revenue was down 9% from second quarter due to lower asset management fees and lower brokerage income. Excluding the impact from the sale of the former Columbia Management long-term business, asset management fees are flat despite lower market valuations at the end of the second quarter and the absence of seasonal tax fees. Net client balances grew to more than $2.1 trillion during the quarter, and we continue to see strong flows into long-term asset management products.

Sales and trading revenue on slide 26 at $4.5 billion, which includes both net interest income and non-interest income, increased approximately 42% from the second quarter due to an improved trading environment, particularly in our credit markets. Compared to the prior quarter, FICC revenue increased 52% to $3.5 billion, driven mainly by higher results in credit products, as well as commodities and mortgages. Equity revenue was up 14% due to the rebound in the markets, and marks on legacy assets within FICC resulted in gains of $264 million versus losses of $179 million in the second quarter.

Investment banking revenue on slide 27 increased 4% from the second quarter and was up 9% from levels a year ago. Results were driven by an increase in M&A and debt capital markets, and our overall global fee ranking remains stable at a strong number two, while we rank number one in the U.S.

Let me say a couple things about expense levels on slide 28. Total expense excluding the goodwill impairment charge decreased $437 million from last quarter. Expenses this quarter included high litigation expense, as I said earlier. Personnel expense compared to a year ago was up 10%, reflecting the build-out of strategic hires in certain of our businesses, including international, as well as the higher level of head count and expense at home loans and insurance related to default management staff and other loss mitigation activities. As we continue to adjust to a new regulatory environment, renew our focus on customers, and invest in growth initiatives we're watching expense levels closely, adjusting where necessary, and taking appropriate actions to achieve our longer-term objectives.

Moving to asset quality on slide 29, let me comment on the trends we're seeing in credit quality. In short, credit quality is improving on most fronts, and it's ironic that we talk so much about it when it is deteriorating but spend so little time on it when it turns positive. Both net charge-offs and delinquencies continue to improve, excluding FHA-insured loans. Net charge-offs of $7.2 billion decreased $2.4 billion compared to the second quarter. Consumer losses versus second quarter were down 2 billion, mainly in consumer card and consumer real estate. Commercial asset quality also improved as net charge-offs, reservable criticized, and nonperforming levels all declined.

Turning to slide 30, the total allowance decreased $1.8 billion through reductions in provision expense, reflecting improving credit performance. Even with this decline in reserve levels the allowance for loan losses remained relatively stable at 4.7% versus the loan portfolio. As you can see on the slide, the current allowance coverage versus third quarter annualized net charge-offs remains very strong in residential mortgage, home equity, and commercial portfolios even when you exclude the purchased credit impaired allowance. Since we believe credit trends will continue to improve, we expect continued reserve reduction over the next few quarters.

In summary, I realize remarks have been lengthy this morning, but we had several issues we wanted to discuss with you. Excluding the goodwill impact, earnings demonstrated progress on several fronts. Credit quality continues to get better, our capital continues to grow, and we believe we can manage through the Basel requirements. The mortgage situation has several facets, and we are addressing and managing all of them.

With that, let's open it up for questions.

Q&A

Operator

[Operator Instructions] We'll move first to site of John McDonald with Sanford Bernstein. Your line is open.

<Q - John McDonald>: Yes, hi. Good morning.

<A - Brian T. Moynihan, President and Chief Executive Officer>: Good morning, John.

<Q - John McDonald>: Chuck – so I guess to start on the reps and warranties – so, it sounds like there are two areas where you indicated you might not have a reasonable basis for estimating potential claims. You mentioned the monolines that you're litigating with and then some portion of the private securitization? I was just wondering if I heard that correctly. And if so, how are you reserving for potential exposure in those areas?

<A - Charles H. Noski, Chief Financial Officer>: John, I do think you have that right. Appreciate that the experience that we've had with the monolines is a bit episodic. And in the case of the whole loan and private label securitization, it's even less mature. And given the fact we don't have maturity in those experiences other than the monolines we are dealing with, we have been recognizing the losses that we've paid on an as-incurred basis. If and when we get enough of an experience that we can actually make a rational estimate, we would then increase our reserves.

<Q - John McDonald>: You can't use your experience with the other monolines to kind of analogize to what you might experience on the others?

<A - Charles H. Noski, Chief Financial Officer>: It's – John, it's really – it's very episodic. I'll give you an example. For example, one of the monolines that we're not dealing with regularly not too long ago sent us some number of

thousands of mortgages. We had a third party look at those mortgages, and well less than 10% of those mortgages appeared to qualify for repurchase. In other cases – it's just – it's all over the map. We just don't have a mature enough population and experience to be able to make any statistically reasonable estimate.

<Q - John McDonald>: Okay. The second thing was on the whole loan/privates piece on the bottom of page 24. It seems that $1 billion of approved repurchases on the base of 3.9 billion of requests, it seems like a high success rate for the claimants, even though you indicated the reps and warranties are less vigorous and causation is tougher to prove there. Is that – am I reading that correctly, or can you comment on that?

<A - Charles H. Noski, Chief Financial Officer>: John, let me try to give you a little bit more color in that area. As you saw on chart 24, we said there's about $750 billion of loans sold, 40% of which have been paid back. Of that 750 billion, something approaching, but less than 50%, of those loans are basically jumbo prime loans. And so pretty good quality. And similarly, when you think about $1 billion we did repurchase, in that particular limited set of instances, I think our loss on that was about half of the repurchase amount.

<Q - John McDonald>: Okay. Got it. The other thing on that one was what about securitizations from legacy Merrill? You mentioned legacy Countrywide and legacy BAC. Are the Merrill securitizations in your legacy Bank of America, or is that not an area where we should think about exposure?

<A - Charles H. Noski, Chief Financial Officer>: It's really modest, John.

<Q - John McDonald>: Why is that, Chuck? How is it different there?

<A - Charles H. Noski, Chief Financial Officer>: No, no, no. I'm saying the dollar amount involved is quite modest.

<Q - John McDonald>: Okay. Got it. Okay, so that's not in there. But not materially enough to -

<A - Charles H. Noski, Chief Financial Officer>: Yeah. John, it's in the table on the upper right-hand corner of table 23.

<Q - John McDonald>: Okay.

<A - Charles H. Noski, Chief Financial Officer>: It's embedded in Other.

<Q - John McDonald>: Got it. Got it. Okay -

<A - Charles H. Noski, Chief Financial Officer>: It's just not a big number.

<Q - John McDonald>: And one more thing on rep and warranty. Just reconciling on the GSE side being two-thirds done, in your estimate, with the idea that it looks like the pre-2004 claims are still growing. Is it the vintage analysis gives you the confidence that you may be two-thirds done on the GSE side, and how could that be if you're still seeing some 2004 growth?

<A - Charles H. Noski, Chief Financial Officer>: Well, remember that says pre-2004. This is not a big number.

<Q - John McDonald>: Okay.

<A - Charles H. Noski, Chief Financial Officer>: And all of the claim experience, all of the reporting that we're getting is cranked into our loan forecasting models. And again, roughly – we're saying roughly two-thirds of it has been -

<A - Brian T. Moynihan, President and Chief Executive Officer>: And remember, John, those are gross dollar claims coming in. So it's $140 million of total dollars.

<A - Charles H. Noski, Chief Financial Officer>: Yeah.

<Q - John McDonald>: Got it. So that's -

<A - Brian T. Moynihan, President and Chief Executive Officer>: That's not what we paid out. That's total dollars of unpaid to the balance coming.

<A - Charles H. Noski, Chief Financial Officer>: Right.

<Q - John McDonald>: Got it. It's small. Okay. Okay, that's great. One thing finally on the NIM, Chuck. Just when you consider your ability that you mentioned to lower funding costs in 2011 and then what you see on asset repricing, can you give some framing of where you see the NIM headed next year? Or maybe just contextualize the smaller decline this quarter and how that might fold into next year?

<A - Charles H. Noski, Chief Financial Officer>: John, I think we see it flattening out. Obviously, there's different elements to the NIM. There's obviously the interest rates we collect from customers. There's deposit pricing, and then there's also what we may be able to do with long-term debt.

<Q - John McDonald>: So more decline next quarter, or kind of flattening out next quarter in your best guess?

<A - Brian T. Moynihan, President and Chief Executive Officer>: Yes. We've got a couple more quarters of each of them flattening out as we look forward. But the rate of decline is slowing. But we've got a couple more quarters, middle of next year it should flatten out. And you can see, John, back on 43, we've got the classic bubble charts there that you can see the different impacts based on different rate structures.

<Q - John McDonald>: Okay. And is the pace of decline of this quarter more likely what you'd expect than last quarter's, where it dropped more?

<A - Charles H. Noski, Chief Financial Officer>: Yes.

<Q - John McDonald>: Okay, great. Thanks, guys.

<A - Charles H. Noski, Chief Financial Officer>: Thanks, John.

Operator

And we'll move next to the site of Glenn Schorr with Nomura. Your line is open.

<Q - Glenn Schorr>: Thanks very much. First of all, we appreciate all the detail on capital and everything else. It brings up a couple questions on slide 7. On the mitigation, which I'm a believer in, you mentioned 65 billion potential free-up on exiting prop trading, and another 65 mitigation on reducing lower-rated assets in the trading book. I know there's a multiplier effect here. But, a) I didn't realize those two categories were that big. But I guess my question is on what do you think of – or how should we think about what the revenue impact on those assets are? They strike me as higher-ROA type assets, but just thoughts around that?

<A - Brian T. Moynihan, President and Chief Executive Officer>: Tom and his team – he's got a whole team dedicated to this, Glenn, that have been looking at the travel that's across the next several years. And so rather than getting into all the ins and outs of different categories, think about that the total increase in size would have more than doubled the RWA through the various means. But when we said, okay, come back and run the business differently, he could peel off several hundred billion of the RWA to about basically $1 billion of revenue. Because we are still consolidating the systems in Merrill and consolidating the positions.

We were only Basel II for the second quarter, now in parallel. There's a lot of optimization involved. And if you just look at our RWA as a percentage of our total assets versus anybody else out there that has businesses that look somewhat similar, there's a lot of optimization as you – your models and the work you can do. So think about us as being inefficient here because of the fact we took two portfolios and put it together. Then you had these new rules which changed – the market-based risk rules especially – changed the ratings dramatically, and then you go to work on it. And you can actually pull out a lot, but not a lot of core revenue.

I know that sounds surprising, but it's the multiplier effect of the future rules on certain types of categories that is the real efficient means of optimizing it as you go forward. So in other words, prop trading today under the rules would not be that big of an RWA, but it's a huge amount of the increase. The example I gave you earlier on the re-REMIC, this was a very specific example. That would have been $20 billion of assets, round numbers or something like that if I remember, Neil and Chuck, last quarter. It would have gone to $100 billion plus because of the multiplier effect of the new Basel rules. And by taking it out, you save $8 billion of Tier 1 common.

So it's an optimization around that. Not a lot of revenue involved, and also activity which frankly is not core to the customer activity, which is the purpose of what we're trying to accomplish with the rules, and also the purpose we're trying to accomplish with the franchise.

<Q - Glenn Schorr>: Got it. I understand that. Are those assets – should we think of them in more of a natural runoff? Or is somebody out there actually purchasing some of these less liquid or higher future RWA assets?

<A - Brian T. Moynihan, President and Chief Executive Officer>: Let's put that in two categories. We've been running down our legacy asset pools, because we think it's in our best interest. So even like the commercial real estate declined this quarter, in part because we are pushing stuff off. But let me give you an example of a kind of asset class, which I think is something to think about.

Our structured credit trading book, it's not wise for shareholders to sell it. But it runs off 13, 14, 15, and will help a lot of mitigation as we move towards the end of this. There's a lot of this stuff that's rolling off that we sealed and stopped doing two years ago – or three years ago, frankly, as we get to 2010 third quarter here – that has a duration to it. So most of this is naturally occurring, not marks. We don't have big losses to move this stuff, because it just runs off, frankly.

<Q - Glenn Schorr>: Got it, understood. And then just on the repricing side, maybe the last question on the timing mismatches. I heard your comments on being able to recoup a lot of what gets lost with the new reg rules. What is the timing? It sounds like you're starting to – trying to incent the customer, as you put it, to bring in new business your way. But what is the timing impact on when we can start seeing some of those revenues come back in? How quickly can you move your customer base that way?

<A - Brian T. Moynihan, President and Chief Executive Officer>: Well, I think this is a multi-quarter and even multi-year of work, Glenn. Because first of all, Durbin doesn't even take effect until next year, third quarter, so all the revenue on the debit interchanges here, the rules aren't clear. So this is a relentless pursuit over quarters in '11 and '12 to get this position. So I don't want to – this is not a snap your fingers, it happens overnight. This will take time. But importantly, you've got to do it at the right pace for the customers, because what we don't want to do – watching the competitors, watching what we're doing is making sure that we're competitive, making sure we're doing it to preserve the franchise long term. So this will take some time.

<Q - Glenn Schorr>: Okay. I appreciate all your answers. Thanks.

<A - Charles H. Noski, Chief Financial Officer>: Thanks, Glenn.

Operator

And we'll move next to site of Nancy Bush with NAB Research LLC. Your line is now open.

<Q - Nancy Bush>: Good morning.

<A - Brian T. Moynihan, President and Chief Executive Officer>: Good morning, Nancy.

<Q - Nancy Bush>: Couple of questions here. Brian, could you just clarify where you are on this foreclosure review? I'm reading the slide here. The moratorium that you had in the judicial states is now off, but I see at the bottom of this slide, you say "Will not complete a foreclosure sale at this time." So when do we get to that point, when you actually start selling foreclosed assets again?

<A - Brian T. Moynihan, President and Chief Executive Officer>: I think we've said – this sort of timed out with the statements that we put out yesterday. I think you should look at those in terms of timing. I thought we said that we'd begin putting affidavits back in the process next week. And then that's a judicial process. And then the judge looks at the papers and takes you through. And then the non-judicial states will take a few more weeks to complete the review. So it begins next week, but it builds back up. There's a basically – if you step back from this, there's 1,000 people working on this. It's 100,000 some in the judicial states. So it's not an amount of work that we're not used to getting done. And then we'll turn to the non-judicial states in that series. So the actual re-filings I think start next Monday, I thought we said.

<Q - Nancy Bush>: Okay. But this is about foreclosure sales are suspended until assessment is complete. So that doesn't mean you've completely backed off selling foreclosed homes? It's just you -

<A - Brian T. Moynihan, President and Chief Executive Officer>: Oh, no. Yeah, I mean, we're selling REOs [inaudible]. This is literally going through the actual step in the process that says that the title changes from the homeowner to us. And that will start as the affidavits start go through the system next week.

<Q - Nancy Bush>: Okay. And could you just sort of step back from – I mean, this foreclosure issue, foreclosure moratorium, got blown out basically in the last week or so to a lot of other stuff. The fact that REMICs are not valid, that titles are not being conveyed properly in the REMIC process, et cetera, et cetera. Could you just kind of give us your view of whether this is a big deal, not a big deal, not as big a deal as the press has presented, et cetera?

<A - Brian T. Moynihan, President and Chief Executive Officer>: Here's what I'd say, is I think when you're going through the issue of people losing their home, Nancy, there could be a lot of obstacles put up in front of that process by people who want to keep their homes and people representing them, and we know that. But that's been going on forever, frankly. And so I think that on the affidavits that some judges said we want these done right, we went and did them. I'm sure there'll be other issues raised.

But as we look at the so-called marriage issue, as we look at some of the other stuff that's raised – and I think you've seen a lot of people write on this and talk about it – we don't see the issues that people were worried about, quite frankly. But we're taking them very seriously. We're making sure we're right. But for example, one of the issues was you needed to take title in your own name prior to foreclosure out of marriage, and we've done that. That's been our policy. So there's nuances in how all those things plays out. But I think you're right. I think the best way to think about it is – I don't think the technical issues are the bigger deal.

The issue of foreclosure is a big deal, and the issue is we've got to get on with it, because it will restore the health to the market. And I think the overstatement that this is all messed up – it's been going on for a while. We've been ramping up the people, us and the other servicers. There's been a – a big volume in transactions have gone through in this last quarter. It will get bigger over the next few quarters. But within three or four quarters, we'll peak and come down the other side in terms of this activity. It will still be elevated. And so I think it's a big issue because people are losing their homes. It's not a big issue for the kinds of issues and service.

<Q - Nancy Bush>: Okay. And just another quick question. On the implementation of the new retail strategy, are you having to do intensive training at the branch level on this? And are we going to see sort of additional training expenses, consultant expenses, et cetera, et cetera, over the next few quarters as this gets ramped up?

<A - Brian T. Moynihan, President and Chief Executive Officer>: I don't think so. I think we stabilized our head count at the store level last year about this time because they've been moving out just to take the costs out, which didn't help in the whole equation. I talked about Joe – we've stabilized that, Joe has stabilized the number of people. As transaction volume moves at the ATM and things like that, that helps free up the time to do it.

Our customer service, I think, we fell behind the industry in terms of scores. But when you look at it at the branch level and the scores we get from it, we get very strong scores. The question is, does the overall brand has more damaging? It's improving, and we'll continue to train people to do that, but it's not a big expense item. It's embedded in the amount of expenses we spend. And we're saving money on certain things and reinvesting those monies.

<Q - Nancy Bush>: Okay. Great. Thank you.

Operator

And it looks like our next question will come the site of Moshe Orenbuch with Credit Suisse. Your line is open.

<Q - Moshe Orenbuch>: Thanks. I was hoping maybe you could talk for a minute about the card business. Three of the other large players that have reported had significant sequential improvement in revenue as credit was getting better because of less of a, I guess, claw-back of interest and fees. And your revenue – the margin was up very slightly, but the dollars were kind of down. Any thoughts you could share in terms of the outlook there and how we should be thinking about that?

<A - Brian T. Moynihan, President and Chief Executive Officer>: Well, I'll give you a couple comments; I'll let Chuck fill in.

I think in the overall issue, this is one that – and that's why I made the point about sort of the yield minus the charge-off. If we had been bringing down in a lot of portfolios that we're not strong, and had revenue, but also had charge-offs that were excessive. So as we're bringing that down, I think we're behind other people in finally stabilizing this, but we're closer to stability now than we have been. You've seen the balances start to stabilize. The credit quality of what's coming on is very high; the credit quality of the portfolio is high.

But I still think – remember we're still at a charge-off rate – 10% round numbers. That's got to get down to the 5 or 6, 5.5 level for this business to return to normalcy. So we've still got work to do. And, look, we were worse than other people in these statistics, we lagged them; we're catching up faster. And I think as you look forward, you'll see this continue to improve in this area for us. Neil, in terms of the – but the revenues more we've also taken the portfolio down because of the risk we want to take down.

<A - Neil Cotty>: Yes, I know – Brian, you said that, I think you sort of, as was mentioned earlier in your speech, lives, originations starting to improve. I think the portfolio's started to stabilize, credit quality's improved, and you'll continue to see some loan reserves, but not to the extent you've seen in the past. I think we've seen the worst is over.

<Q - Moshe Orenbuch>: Okay, on a separate issue – and you touched on this a little bit at the beginning. A number of the banks, regional banks, smaller and larger, are reporting rates of opt-in on the point-of-sale overdrafts that are fairly high, in some cases over 50%. Could you just address kind of that idea? I mean, I know you've got some thoughts on that. And maybe how you kind of think about that part of the debit process as you go forward, for your customers?

<A - Brian T. Moynihan, President and Chief Executive Officer>: Yeah, I think it's – we've seen some of those reports, and as I said earlier, we continue to study this to make sure we didn't miss something on customer choice. We estimated that the levels of opt-in would be in the 30s and made our judgment based on that, whether it was worth it or not. We've heard higher, we've heard lower. And so – and I think a lot – it's still early too, Moshe, when you look at the actual data. But the question is – and so just as you think about that – ask the question what does opt-in mean? 40% of our customers take overdraft protection programs now on the new accounts we've sold. So there's a lot of things go in that factor. But I wouldn't get caught in all the ins and outs.

We fundamentally would believe that if you opt somebody in to a transaction that they told you they don't like, and then they get hit with it, they come back and they're fired up and mad. And then when you say, well, you told us you wanted to do it. That's a tricky execution. And that's why we said, look, it's probably not worth it because it can probably just lead to more and more customer churn. And so that's why on the point-of-sale debit, which is the most confusing to customers, we made the decision we made. I think there are other business models we see out there similar to what we're doing on the ATM, which is that we see out there an ability to do as technology continues to improve. Where, you could say that you're going to get turned down for this transaction, do you want to approve it and pay more of a convenience-fee type? And we're looking at those types of models with, not only ourselves, but also some of the card issuers and stuff, on the theory that is $5 a more reasonable payment or $10 a more reasonable payment when you want to do something, as opposed to $35?

And so, what we tried to stop – and I think people, whether people opt in or not, the account churn in that part of our portfolio was so high and the people just burned themselves up over time. As you – 10% were 70% of the revenue, but actually 3% had a high number of it, too, and you started to look down at those types of customers. So we made the decision we're trying to be clear with customers. But on the other hand, we think there are payment models that could evolved that says, maybe it's more of a convenience-type fee. Think of an ATM convenience fee where customers say, you know what, I just need to get this done, I'm willing to pay the fee to get it done.

<Q - Moshe Orenbuch>: Great. Thanks so much.

Operator

And we'll move next to the site of Matt O'Connor with Deutsche Bank. Your line is open.

<Q - Matthew O'Connor>: Hey, guys.

<A - Charles H. Noski, Chief Financial Officer>: Morning.

<Q - Matthew O'Connor>: Just another follow-up, I guess, on the private label repurchase risk. I mean, I would guess as you look out over the next few months, we'll start getting – you'll start getting a little more clarity on what some of the risks might be. And as you think about trying to set up some sort of reserve and get some of these issues behind you, is this something that we could expect looking forward next quarter? Or do you think it's going to take a little bit longer?

<A - Charles H. Noski, Chief Financial Officer>: Well, as we've said, there's not much experience, not much activity in this private label space. I think, Matt, if you – any of you go back to slide 23, the upper-left hand quadrant, you can see the kind of behavior that we've had for provisions. You can see the earlier periods where we didn't have events, and you can see in the later periods where we did have events. Kind of gives you a sense of the scale of what our experience has been to date. And as we learn more, and again, our perspective on this – we're going to be quite diligent, as I said, in defending the interest of our shareholders. This really gets down to a loan-by-loan determination, and we have, we believe, the resources to deploy against that kind of a review.

<A - Brian T. Moynihan, President and Chief Executive Officer>: I think that the way to think about this is as you think about the toughest areas, origination, and going back on the chart on 22, you can see that the '07, '06 vintages are producing the highest volumes. The '08's much lower. We'll continue to work this through. So time is on your side because the activities have either occurred or not occurred. We're three years past the last – almost the last quarter of it being three years past the date of origination. But if you think about people who come back and say, I bought Chevy Vega, but I want it to be a Mercedes with a 12-cylinder, we're not putting up with that. And we will be very ardent to protect the shareholders' interests.

On the other hand, you guys, we'd love never to have to talk about this, but until we have a history or accounting event, we can't put it behind us. So we will diligently fight this. It has worked to our benefit to – we have thousands of people willing to stand and look at every one of these loans. And it's in your best interest and our best interest to be diligent about it. And so while we'd love to put it behind us and never talk about it again, the right answer is to fight for it. If we make a decision to settle with some of these, it's because it's the right answer for the shareholders.

<Q - Matthew O'Connor>: Okay. And then separately on page 18, where you detail the loan run-off, I think that's very helpful. My guess is these portfolios in aggregate aren't generating that much if any profit because of the credit costs. But as we think about just all the components – the revenue, the expenses – are there any details that you can provide us on those things for this 132 billion run-off book?

<A - Brian T. Moynihan, President and Chief Executive Officer>: We'll take a look at trying to give you the charge-off. It's a little – we just want to make sure we isolated it for you. Your instinct is not wrong in terms of the credit costs embedded in these portfolios. And that's why the credit costs are coming down as these run down. So we'll take a look at whether we can give you a little more clarity on the charge-offs by portfolio.

<Q - Matthew O'Connor>: Okay. And also I think the revenue and expenses would be helpful.

<A - Brian T. Moynihan, President and Chief Executive Officer>: Yep.

<Q - Matthew O'Connor>: And then just lastly, I think it was last month or the month before you made some comments that you weren't reinvesting cash flow from your discretionary book, just because you didn't want to take much duration risk, which I think makes sense. But as we think about the discretionary book, the securities, the mortgages, swaps, I guess the totals would be 400 billion or so. How should we think about that level over time?

<A - Brian T. Moynihan, President and Chief Executive Officer>: I think that the way that we're going to run the balance sheet, it'll be run to extract the value of the excess deposit position. And that's what we do to balance the book back. So it is not another way to make money in this company. And so by and large as loan demand picks up, it will probably come down as a percentage of the assets. And we are not – we either are reinvesting in hedging it that so we don't have long-rate risk or not reinvesting. And we think that's the right answer. So even if you see growth in this, it's pretty much hedged off, as you said. And that's why, you know, look on the bubble chart, there's very little movement. And even in the Basel III, we assume zero on the OCI risk. And we're working to manage the company to protect that, that that is the outcome.

<A - Charles H. Noski, Chief Financial Officer>: And as we said, Matt, we're also looking to shrink the long-term debt footprint.

<Q - Matthew O'Connor>: Yep, that makes sense. Okay. Thank you very much.

<A - Charles H. Noski, Chief Financial Officer>: Thank you.

Operator

And we'll move next to the site of Betsy Graseck with Morgan Stanley. Your line is open.

<Q - Betsy Graseck>: Thanks, good morning.

<A - Charles H. Noski, Chief Financial Officer>: Good morning, Betsy.

<A - Brian T. Moynihan, President and Chief Executive Officer>: Good morning, Betsy.

<Q - Betsy Graseck>: Question – just a follow-up on page 18 with regards to the runoff loan portfolios. Can you just give us a sense as to what the estimated time of decay is for these portfolios? And if they differ from your core portfolio?

<A - Charles H. Noski, Chief Financial Officer>: Betsy, I think the way to think about this, if you look at the change over the quarter and adjust it for the impact of First Republic, that's probably a good indicator of the pace of change.

<Q - Betsy Graseck>: Okay.

<A - Brian T. Moynihan, President and Chief Executive Officer>: Yeah, and we aren't doing anything to force these out, Betsy. I mean, this is just running off naturally. So I think Chuck's guidance is [inaudible] (1:07.10).

<A - Charles H. Noski, Chief Financial Officer>: It's collection and charge-offs. It's that sort of thing.

<Q - Betsy Graseck>: Okay. All right. But to the extent foreclosures ramp up, that would be, I would expect, more skewed towards this portfolio than your non-runoff portfolio. Is that fair?

<A - Charles H. Noski, Chief Financial Officer>: It could be. We'll get you some detail on that as we move forward.

<Q - Betsy Graseck>: Okay. All right. Thanks.

Operator

And we'll move next to the site of Ed Najarian with ISI Group. Your line is open.

<Q - Edward Najarian>: Yeah. Good morning, it's Ed Najarian.

<A - Brian T. Moynihan, President and Chief Executive Officer>: Good morning.

<Q - Edward Najarian>: Yeah, just a couple of quick questions. First, back to the Basel III analysis. It sounds like you're sort of implying that there's not a real good chance of any return of capital in 2012. Obviously we've got other banks talking about the return of capital. But I suspect that your outlook is that that's more of a '13 or '14 event. That would be the first question.

<A - Brian T. Moynihan, President and Chief Executive Officer>: I would not assume that. We have baked in this paying dividends and et cetera. But we have to make sure we understand the phase-in periods and what the regulators are going to require on the capital management. But the way to think about that is remember, I'm giving you the 8% as if things were fully phased in. We will report higher numbers because for example 2.5% is phased in over many years, the 2.5% over the 4.5%. So you've got – we'll be much higher than said. And I think the regulators been clear that they understand from you as investors that there has to be a sharing of this as we build it up. And the idea was to build it up across time. So I would – I wouldn't assume that – I didn't mean to create that impression. But embedded in here is a reasonable dividend policy.

<Q - Edward Najarian>: Okay. So you're saying I should not assume no return of capital? Excuse my double negative. Or maybe you're just saying no assumption on return of capital.

<A - Brian T. Moynihan, President and Chief Executive Officer>: I'm saying – despite the fact that your grammar teacher might shoot me, I'm saying the first.

<Q - Edward Najarian>: Okay. All right. Thanks. And then I guess the follow-up question would be, I'm just looking at the $16.8 billion of operating expense run rate. It seems like there's some things in there that could come down over time in terms of potentially litigation or credit-related costs, what have you. And then – but you're also talking a lot about different types of investment spending and things you're doing with your products, offsetting Reg E, what have you. Could you provide us with any kind of an outlook on where you think that run rate goes just over the next few quarters or over the next 12 months?

<A - Brian T. Moynihan, President and Chief Executive Officer>: I think you've got the exact trade-off. We're trying to make sure we make – let's take Tom Montag for example. He's building up against the opportunity outside the United States. And so we've talked a lot about hiring. But at the same time we're managing the head count inside the United States, where he has the number one market position in the capital markets fairly effectively. So we're sort of having a rotation.

Joe's a low-cost producer. If you look at our cost as a percentage of deposits and compare it to anybody you can get the information on, you'll find out we're very effective there. And our costs paid for deposits are the same as – the 39 basis points or whatever it was for a quarter, very effective.

That being said, we've also brought the branch count down by a couple hundred, and he'll continue to do that. At the same time, we want to get the conversions done in the Northwest and California, and that's going to take some investment. So we're going to make these judgments, but I think the run rate we're at right now is kind of the run rate we are. And we don't see things that we need to, in a net, invest huge amounts of money. But we think even though the earnings are not what we want, we think in the near term, we got to make sure we take care of some things.

So we've got the benefits of rundowns and some of the work we've done on integration. But we've got some build up in some areas. A dominant part of our cost structure in the near term from a now looking forward over the next several quarters will be getting through the HL&I problems and reducing the amount of people dedicated to the workout task dramatically, and into some of the other businesses. So I think we're going to have positive and negative pressures here. But we're trying to manage both the short-term aspects of being very disciplined, and I've asked Chuck to make sure

that the overhead's coming down, and doing the things the CFO needs to do, at the same time making sure we're making the investments where we need to make them.

<Q - Edward Najarian>: Okay. Thanks. And just a quick follow-up on that. It looked like your level of revenue trading, revenue investment banking, revenue in the i-bank was a fairly normal quarter. Always tough to predict. But were the incentive comp expenses around that number this quarter something that you would consider pretty normal as well, given that level of revenue?

<A - Charles H. Noski, Chief Financial Officer>: Yeah. I think in the – on a full-year basis it's probably in the mid to upper 30s.

<A - Neil Cotty>: Yeah. I mean, figure 38 to 39, we've been doing. Based on performance, that's consistent with last quarter. You may get some noise from third quarter of last year versus third quarter this year because we did a catch-up last year on the HOT on the amount of deferral, we increased the percentage. So there will be some noise related to that. Pretty much a normal percentage accrual.

<Q - Edward Najarian>: Okay. Thanks a lot.

Operator

And we'll move next to the site of Mike Mayo with CLSA. Your line is now open.

<Q - Mike Mayo>: Good morning.

<A - Charles H. Noski, Chief Financial Officer>: Good morning, Mike.

<A - Brian T. Moynihan, President and Chief Executive Officer>: Good morning, Mike.

<Q - Mike Mayo>: Can you give some more color on why OREO declined by 10% linked quarter?

<A - Brian T. Moynihan, President and Chief Executive Officer>: Mike, we'll get Kevin and those guys to get it to you. Chuck just looked at me and said – I mean, we're moving stuff out and we're doing the work, but we'll get you some details of where it came from, which portfolio.

<Q - Mike Mayo>: I guess the point is the properties are moving on the back end, even if it was clogged some on the front end?

<A - Brian T. Moynihan, President and Chief Executive Officer>: Yeah. Not fast enough because we're still building inventories. But we are moving stuff out the back end at a better pace now. I think over the last three quarters on the consumer side, for example, we've moved up by 50% in terms of quarterly liquidations of properties that are on our books. Remember, a lot of OREO in the consumer also goes back to the agencies to handle.

<Q - Mike Mayo>: And I know this question has been asked many times, but so, why did provisions for reps and warranties decline one-fourth linked quarter when the outstanding claims strictly related to the GSE side increased?

<A - Brian T. Moynihan, President and Chief Executive Officer>: Remember, last quarter, we had a catch-up on some monolines and stuff that was different. So there was a, I think, 6, $700 million, Neil, of additional catch-up last quarter that wasn't there this quarter?

<A - Charles H. Noski, Chief Financial Officer>: Related to monolines. And Mike, if you look at this quarter, the sort of additional amount over our historical numbers was related to our reassessment of the GSE obligations.

<Q - Mike Mayo>: I'm just trying to figure out, what would be kind of a normal number going forward for this provision line?

<A - Brian T. Moynihan, President and Chief Executive Officer>: If you take out sort of the ups and downs and look back, you can see 500 million issued a quarter – and I've said that, Mike, on occasion. It's just going to be lumpy

because as we gave data, we'll move something forward. And that may move stuff that would have occurred later on forward. Because these are looked at as like a portfolio. When we make an adjustment, it's not an adjustment on what the claims we received in, it's on the exposure that we see in the whole portfolio, if we have a basis to make it. So if you look at sort of the resolution type of thing and look back across the quarters we gave you, it's a half billion, half billion, half billion. So those are the kinds of numbers that would be more recurring. The last couple quarters we had some sort of significant movement in terms of catching up to some pieces. So the danger here is it could be lumpy, so don't – but on average, that's what we saw.

<Q - Mike Mayo>: And how many years do you think that this provision expense might be incurred? I mean, I know there's a lot of uncertainties. Is it like another year, three years, five years? Longer?

<A - Charles H. Noski, Chief Financial Officer>: Obviously, Mike, it depends upon experience. We certainly think it's going to be pretty active the next couple of years or so.

<A - Brian T. Moynihan, President and Chief Executive Officer>: You know, Mike, again, the GSE who do life alone is all reserved. And then a lot depends on where things go with the monolines and the private labels, which as Chuck stated earlier, is very hard to predict. So we'll see how our experiences materialize over the next couple of quarters. But Mike, I'd be careful separating – the risk is relatively sealed in this in terms of the vintages that have given rise to most of the claims. So the issue is how long the fight will take.

<Q - Mike Mayo>: On the GSE side?

<A - Brian T. Moynihan, President and Chief Executive Officer>: On all of them. In other words, the loans are originated. If you're saying this is an origination defect, if you look at what's happened in '08 and then in '09, there's just been very little activity, so and the loan quality was changing, the underwriting standards when we bought Countrywide. They'd already changed theirs. And so that occurred in '08. So you're not seeing new activity created here from new originations of any magnitude. So what I'm saying is the origination activity between '04, '05, '06, '07 – that's where the balances are. The underwriting was done then, and now we're going to spend the next few years sort of fighting it through.

<Q - Mike Mayo>: But I just want to understand this. Just to clarify, the new activity, though, is more people are coming to the window saying I bought a Vega, I thought I'd get a Vega, I want my money back?

<A - Brian T. Moynihan, President and Chief Executive Officer>: The activity's from the put-backs, but it relates to those periods in time of origination. As opposed to the new activity of new underwriting of loans is not producing any activity -

<Q - Mike Mayo>: Right.

<A - Brian T. Moynihan, President and Chief Executive Officer>: – of magnitude. And what I'm trying to say, so the pig and the snake is sealed off now. Now the question is we've just got to work it through, and that's going to take time.

<Q - Mike Mayo>: And then two other small questions. One, what was loan utilization for the quarter? I'm just trying to get a read for incremental loan demand if there is any.

<A - Brian T. Moynihan, President and Chief Executive Officer>: In the C&I book and the revolvers, it was flattish quarter to quarter. Flattish. We can get you the number. I always give the number in David's middle market book, which is lower than the overall number. So we'll get you the number. I think it's 38, if I remember right.

<A - Charles H. Noski, Chief Financial Officer>: In commercial, that's correct.

<A - Brian T. Moynihan, President and Chief Executive Officer>: In commercial.

<Q - Mike Mayo>: So it's still around the all-time low, so loan demand is still kind of sluggish?

<A - Brian T. Moynihan, President and Chief Executive Officer>: Well, what we've seen, I'd say, is that yes, overall demand is still slow, but I'd say as you look from first quarter to second quarter to third quarter, we've seen the loan balances stabilize and the demands of the customers. It is not growing, we wouldn't say that, but it is stable.

<Q - Mike Mayo>: And then lastly – sorry.

<A - Brian T. Moynihan, President and Chief Executive Officer>: It's just stronger this quarter than it was second quarter.

<Q - Mike Mayo>: And then lastly, would you consider any strategic actions to further boost capital? I know you said you'd be above 8%, but you could juice it a little bit more by doing some other things. Would you consider those other things? Such as BlackRock?

<A - Brian T. Moynihan, President and Chief Executive Officer>: I'll let you speculate on what our ideas are. Thanks.

<Q - Mike Mayo>: All right. Thanks.

<A - Kevin Stitt, Investor Relations>: Thanks, Mike. One last question, please.

Operator

Yes, our last question comes from the site of Chris Kotowski with Oppenheimer. Your line is open.

<Q - Christopher Kotowski>: Yeah. A couple things. One is I was wondering can you comment on the monthly trend in the trading environment and customer activity flows? As we come into September and October, do we find that normalizing at all? Or are investors still kind of in the risk-adverse posture that they were in most of the summer?

<A - Brian T. Moynihan, President and Chief Executive Officer>: I'd say it's better than the summer, but not normalized. It's still lower than we'd like to be. But it did improve. In a new-ish account it got very active. So in terms of debt capital market especially, some equity stuff's come through. The IPOs we have on file are actually bigger than we even had in the Internet bubble timeframe. It's just the question of whether equity markets support getting them out? Our investment-banking pipeline is a high-quality pipeline. 50% of the pipeline we think will close in the fourth quarter. We'll get the fees in the fourth quarter. And debt capital markets are really not a major part of that obviously because they up come more episodically.

So I'd say the issuer side activity is pretty strong, especially around the ability to access debt capital. You're seeing some buyouts being done in the recent past here. Our private equity clients are getting active in visiting with them. Many of them over the last several months, they are looking for deals. They're buying deals, they're actually striking deals. But I'd say that when you go to the sort of the core trading activity, people – it's still lower than we thought, but it's been improved during the course of the quarter. From July, August, to September, it got better, and October, I think, has been reasonably the same.

<Q - Christopher Kotowski>: Okay. And then just one last time on the risk-weighted assets, and you said you can drive those, some of the – or the mitigation efforts don't necessary hit revenues that much. And I'm curious, is that because there's a big charge for the inter-dealer exposure? And is there a good way to net all that down? Or what does the industry need do to – because everyone's talking about mitigation, and it's not totally clear what all the components of that are and why they don't impact revenues.

<A - Brian T. Moynihan, President and Chief Executive Officer>: We are slightly different, I think, than other organizations in the sense that the Basel II implementation is new and we're finding more ability to optimize in that. But most importantly remember that we're only converting to Merrill's systems this fall in Tom Montag's business. And so we've been able to manage the risk, but we've had to manage it, the legacy risk, on a system. And all the risk being put on since the first part of '09 has been going on the new system, but there's a book of legacy risk. As we bring those systems and put them both on the same system, we're able to manage them separate. We're also finding a lot of room to

optimize in counterparty optimization.

So as the team working on it said, this should not be as easy as it is. And that really is shame on us, but the reality is we had two systems. We had to work through them. We had to get approvals for models and all of the work you have to do, and we're busily doing that. It won't be snap your fingers, but this is not as hard for us because frankly we just haven't had the chance to go through the optimization that it appears other companies have gone to.

So our RWAs as a percentage of age still run 60 plus percent, and other people run 50 and other numbers, and as we get into that we'll figure that. The other thing is don't forget, every quarter more of the legacy stuff which is very highly weighted under the new rules just keeps running off. So this is work. This is hard work. Tom's got a team that's working on it. He's got a team that's dedicated to it, but they were able to get quite comfortable they can mitigate a lot, and a lot of it's because these are positions that we don't want. Take auction-rate securities. Over the next several years, they'll run down dramatically, yet – 10 billion a day. It was 12 or 13 billion at the beginning of the year. So it's just one thing after another, just hard work.

<Q - Christopher Kotowski>: Okay. And then lastly, just I was kind of – obviously one of the other big banks put up a big litigation reserve, and you didn't. And I'm kind of curious why. And then also is that – you mentioned that most of the problems are in the '06, '07 vintages, obviously. And is there a statute of limitations on putting loans back? And when does that kick in, if at all?

<A - Brian T. Moynihan, President and Chief Executive Officer>: You said last, and then you asked two more questions. The second one, your last is going to be. But your second one on the – there's no technical statute of limitations from a standpoint on the repurchase. But the fact that the loan has performed for 36 months or more, obviously a defect that said this was a problem with the origination is getting a little harder to prove, especially on a no-doc loan or something like that. So think through that.

I forget the first part of the question.

<A - Charles H. Noski, Chief Financial Officer>: The first question on litigation expense, we actually don't compare ourselves to other companies as such. I know you folks do. I think every company's portfolio of litigation is different, and it comes at different times and is different stages of progress. We're reserving for that that we know about and we think we can estimate and understand that we would have exposure on. Can't really help you with what others are doing.

<Q - Christopher Kotowski>: Okay. Thank you.

<A - Charles H. Noski, Chief Financial Officer>: Thank you.

Neil A. Cotty, Chief Accounting Officer

One follow up before leaving, let me share – if you're still out there – on the card revenue line, it's flat. But remember, we had a big gain in the second quarter from MasterCard of about 450 million, and we had the UK charge relative to some of the sales situation over there, and that's about 600 million. So we had a flip of 1.2 billion. If we hadn't had that, those two instances, we would have had revenue going up.

And I thank everyone for joining us.

Operator

And this does conclude today's teleconference. Thank you for your participation. You may disconnect at any time. Have a wonderful day.